



April 25, 2014

To: Executive Board

Subject: **Update to Asset Disposal Policy**

---

**Recommendation**

Adopt the updated Asset Disposal Policy for the disposition of Foothill Transit assets which have reached the end of useful life.

**Analysis**

Foothill Transit's current asset disposal policy was adopted by the Board in 1996. As the organization has matured, business processes have changed, necessitating an update to the existing policy. The recommended policy update also addresses and ensures compliance with recent changes to Federal Transit Administration (FTA) requirements. Consistent with Common Grant Rule requirements, the policy includes language obligating Foothill Transit to use sales procedures that ensure the highest possible return through competition.

The recommended policy applies to unusable assets, exclusive of real property, with a depreciated value of less than \$100,000. Any unusable asset to be disposed with a depreciated value of over \$100,000 must be approved by the Executive Board.

**Budget Impact**

There is no budgetary impact associated with adopting the updated Asset Disposal Policy.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bobby Magee".

Bobby Magee  
Director of Procurement

A handwritten signature in blue ink, appearing to read "Doran J. Barnes".

Doran J. Barnes  
Executive Director

Attachment

## ASSET DISPOSAL POLICY

### April 2014

#### **I. Purpose:**

~~To establish guidelines and procedures for the disposal of Foothill Transit assets.~~

#### **II. Background:**

Foothill Transit has capital assets, exclusive of real property, which will become obsolete over time due to normal use, wear and tear, and/or new technology, or which may require disposal, including resale. The Foothill Transit Director of Procurement, in consultation with the Director of Finance and Project Manager, will identify items as ~~a~~ surplus or obsolete and recommend to the Executive Board and/or the Executive Director that these assets are no longer required for public use and should be disposed of. Upon approval of disposal ~~and the subsequent method,~~ the ~~Purchasing Agent~~ Director of Procurement shall coordinate the disposal process. Disposal of surplus property can only be authorized by the Board and/or the Executive Director. No department head or employee may sell, give away, or exchange Foothill Transit property,

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Times New Roman

~~When~~ The disposal of property purchased with Federal or local public funds, the Director of Procurement shall use such methods and procedures as in his/her judgment that will return the greatest value to Foothill Transit. is to be accomplished by way of an open competitive process. Other options described below may be used ~~when competitive disposition is not feasible.~~ This policy allows Foothill Transit to utilize various disposal options and establishes clear guidelines and procedures. The Director of Procurement shall deposit with the Foothill Transit Finance Department all funds received from the sale of surplus property and provide the Director of Finance with a complete accounting of all transactions.

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Formatted: Font: 12 pt

~~This policy shall ensure that the disposal of assets shall be in a manner which is in the best interest of Foothill Transit and in conformance with the standards and procedures set forth.~~

#### **III. Procedures:**

For capital assets with a depreciated value of \$100,000 or more, the method of disposal must be approved by the Foothill Transit Executive Board. For assets valued at less than \$100,000, the Executive Director may authorize disposal and the method to be used. ~~In either case, such methods may include, but are not limited to, the following:~~

1. ~~Competitive sale~~
2. ~~Negotiated sale~~
3. ~~Public auction~~

4. ~~Trade-in allowance~~

~~The proceeds from the sale of any capital asset shall be returned to Foothill Transit to be credited to the appropriate depreciation reserve account.~~

**Ineligible Participants:**

~~Foothill Transit's management consulting staff and members of their immediate families, and Executive Board members and members of their immediate families, may not participate in a competitive or negotiated sale of Foothill Transit capital assets.~~

**IV. Methods of Disposal:**

**A. Competitive Sale**

~~For disposal of all assets, regardless of the estimated depreciated value, a competitive sale method may be used. In this case, the following procedures must be followed:~~

- ~~1. Notification to the public would include, at a minimum, the placing of an advertisement in newspaper(s) of general circulation of an Invitation for Bids (IFB). The ad must specify the item(s) to be sold, the condition and the terms for the sale, and the date/time/place sealed bids are to be received.~~
- ~~2. All bids must be sealed.~~
- ~~3. Prospective bidders may be afforded an opportunity to view the item(s) being disposed.~~
- ~~4. The sale shall be made to the highest responsive, responsible bidder.~~

**B. Negotiated Sale**

~~Capital assets with a depreciated value of \$10,000 or more may be disposed of on a negotiated sale basis provided that a finding is made by the Foothill Executive Board with a two-thirds vote that special circumstances exist that make it in the best interest of Foothill Transit. Such circumstances may include the following:~~

- ~~1. Unique item(s), as determined by the Executive Director, may have limited resale market.~~
- ~~2. The financial interest of Foothill Transit would be best served by negotiation.~~

- ~~3. If approved, the Executive Director may be authorized to negotiate a sale price.~~

**~~C. Public Auction~~**

~~Any capital asset which has been determined to no longer be required for public use may be disposed of in conjunction with a Los Angeles County sponsored public auction, in accordance with California Government Code 25363.~~

**~~D. Trade-in Allowance~~**

~~When purchasing capital assets for which it is not necessary to advertise for bids, the Executive Board may authorize the solicitation and acceptance of trade-in allowance for assets with a scrap value of less than \$10,000 and which has been determined to be no longer required for public use.~~

**~~V. Special Circumstances:~~**

**~~A. Special Circumstances: Federal Grant Funded Assets~~**

- ~~1. Capital assets which have been purchased with federal capital grant funds must be disposed of in a manner consistent with the Federal Transit Administration (FTA) regulations as outlined in FTA Circular 5010.1D0B and subsequent revisions. The methods allowed under these guidelines are competitive sale and trade-in allowance.~~
- ~~2. If federally funded assets with remaining useful life are sold, the net proceeds from such disposal shall be distributed between the FTA and Foothill Transit in accordance with the percent of which was provided for the original purchase (e.g. 20% Foothill Transit, 80% FTA or otherwise). Net proceeds are defined as the amount realized from the sale of property less the expense (\$100 or 10% of sale price, whichever is highest) to sell it. The local share should be returned to Foothill Transit for deposit to the appropriate capital depreciation account.~~

**~~B. Fully Depreciated Capital Assets~~**

~~Capital assets with a depreciated value of \$1,000 or less may be disposed of by the least costly, most efficient method as determined by the Executive Director. For audit purposes, a memorandum must be filed which certifies the depreciated value of the assets and indicates the method of disposal (i.e. trash, destruction).~~

Formatted: Indent: Left: 0"

**Ineligible Participants:**

Foothill Transit's staff and members of their immediate families, and Executive Board members and members of their immediate families, may not participate in an auction, competitive sale, or negotiated sale of Foothill Transit capital assets.

